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Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Suprex Energy Corporation

**1996
Annual
Report**



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REPORT TO SHAREHOLDERS

The Company was listed for trading on the Alberta Stock Exchange in May 1995 and its major transaction was completed on October 5, 1995. We have now had one full year of operation.

During the year the Company doubled its share of working interest in the Acheson East Area by purchasing the interests of several companies and individuals, for \$426,630 payable by \$125,115 in cash and the balance by issuing 1,005,049 shares of Suprex at a value of \$0.30 per share.

In addition the Company raised a total of \$264,360.00 by way of a Private Placement Flow Through of its shares at a price of \$0.30 per share with a warrant priced at \$0.02 per share, which warrant entitles the holder to purchase a further Flow Through Share of Suprex for \$0.35 a share until January 30, 1997. The monies raised by way of the Flow Through Shares were used for well recompletions in the Acheson East area, the result of which had the effect of doubling our productivity to approximately 140 BOE.

SUBSEQUENT EVENTS

Competing for the purchase of producing reserves has become very difficult. The emergence of the Royalty Trusts and the current high price of oil has resulted in significant increases in the cost of purchasing producing reserves. This has led us to seek strategic alternatives to enhance shareholder value. The company, with the advice of market analysts has started to develop offshore possibilities.

It is the opinion of management that the best exploration areas for the development of sizable reserves of hydrocarbons, particularly for a junior oil and gas company, lies in offshore areas where a minimum of exploration has been done and significant land positions can often be obtained with minimum expenditure. It was decided to enlist the help of an offshore specialist and in conjunction with Canop International Resource Venture Inc. we made a trip to East Africa where we were successful in

obtaining a Memorandum of Understanding relative to the exploration for hydrocarbons over a 2.5 million acre tract in Tanzania and approximately a 10 million acre tract in Mozambique. Negotiations are now ongoing to convert the Memorandum of Understanding to a Production Sharing Agreement.

Canop is a private Company formed to combine the capital resources and fund raising capabilities of Aeonian Capital Corp. with the international credibility and connections of the Right Hon. Joe Clark, and the Honourable Harvie Andre in order to pursue particularly oil and gas opportunities internationally. Through this arrangement Suprex is the owner of twenty-five percent (25%) of any interest in properties acquired in Tanzania and Mozambique. Subsequent geological and geophysical studies lead us to believe that we have in both Tanzania and Mozambique very interesting areas that contain all of the pre-requisites for finding large reserves of hydrocarbons.

The cost incurred by the Company to obtain its 25% interest in these exploration permits was negligible. More information about these permits is discussed in the Brochure accompanying the Annual Report. As a result of the exciting potential of these lands and other international opportunities being pursued by Canop. The Company is negotiating for the acquisition of all of the interest that Canop has in Tanzania and Mozambique and may acquire in Jordan, Yemen, Madagascar and several other areas around the world. Should this acquisition be finalised, control of the Company will effectively change since it is anticipated that the Company would acquire Canop's interest through the issuing of shares to Canop.

The Company has received an offer for the purchase of all its producing and non-producing assets in the Acheson East area of Alberta, subject to the approval of the purchasing company's head office. The purchase price is \$1,840,000 dollars. This price is substantially above the Company's acquisition price and management is of the opinion that this is an acceptable offer and as such, if the offer becomes unconditional, intends to proceed with the sale of the properties. Following the sale of the Acheson East interests and after payment of all its outstanding accounts the Company should be left with approximately \$1,000,000 in working capital.

The Company has completed negotiations with a group in New Brunswick to acquire an interest in 40 mineral claims in the Plaster Rock area of that Province. The Plaster Rock area may contain sufficient zinc, copper and silver deposits to justify commercial operations and is presently being actively explored by Chapleau Resources Ltd., who are sufficiently encouraged to accelerate their exploration in the area.

The Company applied for and was granted a sum of \$40,000 from the Government of New Brunswick for use in developing its mineral interests and an additional \$40,000 expenditure by the Company is required to earn a 60% interest in the properties.

FUTURE PLANS AND OUTLOOK

We are moving into an exciting time for the Company with a healthy outlook for oil and gas exploration companies for the next few years. Many energy analysts are predicting a balance in the supply demand picture for oil and an increasing demand for natural gas from Western Canada, in the next few years.

Offshore exploration activity around the world is on the increase and a good number of Canadian Companies are leading the way in various Basins around the world. The prospects which Suprex and Canop have initiated are in the opinion of our technical staff, highly prospective for the finding of hydrocarbons, but will require considerable financing to meet its obligations for the first period of the permit work commitments. We are confident that this can be done based on the meetings we have had with various investment groups. The terms proposed for the Production Sharing Agreements have been reviewed and we feel that they are competitive with most countries that have exploration and development being conducted on their lands.

The Company will continue to pursue prospects in Western Canada, particularly in its Turner Valley and Coutts - Sweetgrass plays, with a view to building a domestic base of oil and gas reserves, in conjunction with our offshore activities.

With the frequent travel necessitated by the increased emphasis the company will be placing on international exploration and the other demands that are anticipated to be placed on the President of the Company over the next few years, I have recommended to the Board of Directors that they appoint The Honourable Dr. Harvey Andre as President and CEO of the Company. Mr. Andre has agreed to accept the appointment effective October 24, 1996. I will continue to be actively involved with the operations of the Company, particularly in domestic oil and gas exploration and will continue to serve as Chairman of The Board of Directors. The Company is very fortunate to have someone with Mr. Andre's experience and ability to serve as its President. I am confident that he will enthusiastically pursue the opportunities now available to the Company.

On behalf of the Management and Board of Directors I wish to thank the Shareholders for their faith and support over the past year.

A handwritten signature in cursive script, reading "Nello W. Marano".

Nello W. Marano, President

AUDITORS' REPORT

To the Shareholders
Suprex Energy Corporation
(a continuation of Marnell Investments Ltd.)

We have audited the consolidated balance sheet of Suprex Energy Corporation (a continuation of Marnell Investments Ltd.) as at June 30, 1996 and the consolidated statements of loss and deficit and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 1996 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Collins Banow

CHARTERED ACCOUNTANTS

Calgary, Alberta
October 23, 1996

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

(Incorporated under the laws of Alberta)

CONSOLIDATED BALANCE SHEET

JUNE 30, 1996

Assets

Current assets

Cash	\$ 2,087
Accounts receivable	143,513

145,600

Property and equipment (note 3)	1,663,598
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\$ 1,809,198

Liabilities

Current liabilities

Bank loan (note 4)	\$ 199,300
Accounts payable and accrued liabilities	788,499

987,799

Provision for future site restoration costs	19,622
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1,007,421

Shareholders' Equity

Share capital (note 5)	1,167,273
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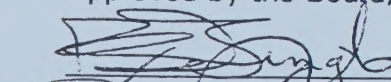
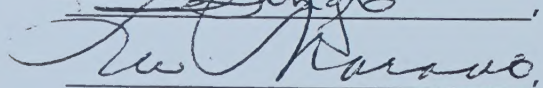
Share purchase warrants (note 5[c])	16,522
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Deficit	(382,018)
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801,777

\$ 1,809,198

Approved by the Board,

 , Director
 , Director

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT YEAR ENDED JUNE 30, 1996

Revenue	
Petroleum and natural gas revenues, net	\$ 495,685
Other income	16,109
	511,794
Expenses	
Production	254,950
General and administrative	278,914
Interest	11,542
Depletion and depreciation	327,590
	872,996
Net loss	(361,202)
Retained earnings, beginning of year	99,658
	(261,544)
Related party transaction (note 2[c])	(120,474)
Deficit, end of year	\$(382,018)
Net loss per share (note 5[g])	\$ (0.04)

Comparative information has not been provided as it would not provide meaningful information.

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

CONSOLIDATED STATEMENT OF CASH FLOW

JUNE 30, 1996

Operating activities	
Net loss	\$(361,202)
Add: Item not affecting cash flow	
Depletion and depreciation	327,590
	(33,612)
Net change in non-cash working capital balances	255,878
Cash from operating activities	222,266
Financing activities	
Proceeds on issuance of share capital and warrants	1,323,418
Share issuance costs	(51,255)
Proceeds from bank loan, net of repayment	199,300
Cash from financing activities	1,471,463
Investing activities	
Acquisition of capital assets	(2,075,281)
Acquisition of working capital from Suprex Energy Corporation	
(note 2[c](i))	30,441
Net change in non-cash working capital balances	353,132
Cash used in investing activities	(1,691,708)
Increase in cash	2,021
Cash, beginning of year	66
Cash, end of year	\$ 2,087

Comparative information has not been provided as it would not provide meaningful information.

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

1. Corporation activities

Suprex Energy Corporation's (the "Corporation") activities are the acquisition of petroleum and natural gas rights and the exploration, development and production of crude oil and natural gas.

2. Significant accounting policies

(a) Going concern

These financial statements have been prepared in accordance with generally accepted accounting principles. An assumption underlying the preparation of financial statements in accordance with generally accepted accounting principles is that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast doubt upon the validity of this assumption. The Corporation has incurred a significant operating loss over the past year and has a substantial working capital deficiency. In addition, the Corporation is in breach of certain financial covenants relating to its bank credit facilities.

These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. Management believes that the actions already taken or planned will mitigate the adverse conditions which raise doubts about the validity of the "going concern" assumption used in preparing these financial statements.

If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, reported expenses and the balance sheet classifications used.

(b) Consolidation

These financial statements include the accounts of the Corporation and its two wholly-owned subsidiaries, Marnell Investments Ltd. and Suprex Inc. For accounting purposes, as described in note 2[c], Marnell Investments Ltd. is considered to be the parent company and Suprex is the subsidiary.

(c) Business combination

Effective October 5, 1995, Suprex completed its major transaction pursuant to approval of its shareholders. The major transaction was completed in two stages.

- (i) The Corporation acquired all of the outstanding shares of Marnell Investments Ltd. by the issuance of 3,022,856 Class A common shares to the shareholders of Marnell Investments Ltd. (a related company by virtue of common shareholders, director and officer).

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

- (ii) The Corporation acquired significantly all of the assets of Secor Equipment Corporation (Secor) by issuing 2,588,571 Class A common shares to Secor (a related company by virtue of common shareholder, director and officer).

On October 23, 1996, an agreement was entered into between Secor and the Corporation to cancel 1,187,048 Class A shares issued on the acquisition. This cancellation of shares reflects a purchase price adjustment of \$415,467 (note 7[a]).

Subsequent to the major transaction and the cancellation of 1,187,048 shares, the former shareholders of Marnell Investments Ltd. directly owned 38.1% of the Corporation's issued and outstanding shares. These same shareholders also owned an additional 23.4% of the Corporation's issued and outstanding common shares through 100% ownership of Secor for a total subsequent shareholding of 61.5%

As the previous shareholders of Marnell Investments Ltd. acquired control of Suprex, the combination has been accounted for as a reverse take-over using the purchase method with Marnell Investments Ltd. being the acquiring company.

The consolidated entity has been referred to as Suprex Energy Corporation. In accordance with reverse takeover accounting, these financial statements are a continuation of Marnell Investments Ltd. The capital structure, however, (authorized shares and issued shares) of the company is that of Suprex, and the other components of shareholders' equity are those of Marnell Investments Ltd. The results of operations of Suprex are included in the accounts from the effective date of the acquisition which was October 5, 1995.

Details of the business combination are as follows:

- (i) The deemed purchase by Marnell Investments Ltd. of Suprex was allocated to Suprex's net assets as follows:

Cash	\$ 139,187
Accounts receivable	2,819
Due from affiliate	188,263
Accounts payable	(33,260)
Total purchase price	\$ 297,009
Due to shareholder	\$ 30,000
Issuance of shares (note 5[b])	267,009
Total consideration	\$ 297,009

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

(ii) the purchase price of Secor Equipment Corporation assets was allocated as follows:

Petroleum and natural gas properties	\$ 1,088,000
Office equipment	<u>130,000</u>
Total purchase price	<u>\$ 1,218,000</u>
Due to affiliate	\$ 154,830
Assumption of bank loan	157,170
Accounts payable	415,467
Issuance of share capital (2,588,571 shares issued at \$0.35) (note 5[b])	906,000
Less: shares cancelled October 23, 1996, 1,187,048 shares at \$0.35 (note 7[a])	<u>(415,467)</u>
Total consideration	<u>\$ 1,218,000</u>

These transactions were recorded at the exchange amount except for office equipment acquired from Secor which was recorded at the carrying amount of \$9,526 as there was no independent evidence to support the exchange amount. The difference of \$120,474 has been charged to retained earnings.

(d) Exploration and development costs

The Corporation follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the exploration for and the development of oil and gas reserves are initially capitalized. Costs capitalized include land and acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells together with overhead and interest directly related to exploration and development activities and lease and well equipment. Gains or losses are not recognized upon disposition of oil and natural gas properties unless such a disposition would significantly alter the rate of depletion and depreciation.

Depletion and depreciation is provided for using the unit-of-production method based on estimated gross proven oil and gas reserves as determined by independent and company engineers with gas converted to oil on an energy equivalent basis.

Costs subject to depletion under the full cost method also include estimated future removal and site restoration costs. This would include the cost of production equipment removal and environmental cleanup based upon regulations and economic circumstances at year end. The current year's provision for future removal and site restoration costs is included in depletion and depreciation expense.

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

In applying the full cost method, the Corporation performs a ceiling test which restricts the capitalized costs less accumulated depletion and depreciation from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs, and after deducting estimated future general and administrative expenses, estimated future removal and site restoration costs, financing costs and income taxes (cost ceiling).

The amounts recorded for depletion and depreciation of property and equipment and the provision for future site restoration costs are based on estimates. The cost ceiling is based on such factors as estimated proved reserves, production rates, future oil and natural gas prices and future costs. By their nature, these estimates are subject to measurement uncertainty and may impact the financial statements of future periods.

(e) Joint ventures

Substantially all of the exploration and production activities of the Corporation are conducted jointly with others and, accordingly, the accounts reflect only the Corporation's proportionate interest in such activities.

(f) Depreciation

Lease and well equipment are depreciated using the unit-of-production method. Office equipment is depreciated using the declining balance method at 20% per annum.

(g) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada). The Act provides that, where the share issuance proceeds are used for exploration, development and land expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Corporation.

Oil and gas properties and share capital are reduced by the estimated cost of the renounced tax deductions when the expenditures are incurred.

3. Property and equipment

	Accumulated Depletion and		
	Cost	Depreciation	Net Book Value
Petroleum and natural gas properties			
Canada	\$ 1,862,884	\$ 371,157	\$ 1,491,727
United States	162,398	-	162,398
Office equipment	11,841	2,368	9,473
	<u>\$ 2,037,123</u>	<u>\$ 373,525</u>	<u>\$ 1,663,598</u>

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

As at June 30, 1996 the "cost ceiling" (based on prices in effect at June 30, 1996 and calculated as described in (note 2[d]) of the petroleum and natural gas properties was less than the capitalized costs of those assets by approximately \$180,000. As a result, the Corporation wrote down property and equipment by \$180,000. This write down is included in depletion and depreciation expense.

Future removal and site restoration costs are estimated in aggregate to be \$198,200 of which \$19,622 has been charged to current earnings as part of depletion and depreciation.

Undeveloped properties not subject to depletion amounted to \$861,011 at June 30, 1996.

4. Bank loan

The bank loan bears interest at the prime rate plus 2%, is due on demand and is secured by oil and gas properties and a floating charge demand debenture in the amount of \$500,000 over all other Corporation assets. The bank loan requires monthly principal repayments plus interest of \$16,900 for July and August, 1996 and \$9,907 per month plus interest thereafter.

At June 30, 1996, the Corporation was in breach of certain financial covenants contained in the bank loan agreement, therefore, the entire balance has been reflected as a current liability.

5. Share capital

(a) Authorized
Unlimited Class A common voting shares

(b) Issued

	Number	Amount
Balance, beginning of year	3,500,000	\$ 100
Issued on deemed purchase of Marnell Investments Ltd. (note 2[c])	3,022,856	267,009
Issued on purchase of assets from Secor Equipment Corporation (note 2[c])	2,588,571	906,000
Less: Shares cancelled on October 23, 1996 (note 7[a])	(1,187,048)	(415,467)
Issued for cash pursuant to flow-through share agreement (note 5[c]) net of income tax deductions renounced to subscribers of \$88,468	826,125	159,370
Issued in exchange for petroleum and natural gas properties (note 5[d])	1,005,049	301,516
	<u>9,755,553</u>	<u>1,218,528</u>
Less: Share issuance costs		<u>(51,255)</u>
		<u>\$ 1,167,273</u>

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

- (c) During the year, the company issued 826,125 units, with each unit consisting of one flow-through Class A common share at \$0.30 and one share purchase warrant at \$0.02, convertible into one common share at a price of \$0.35 per share until expiry on July 31, 1996. Aggregate proceeds of the unit issue were \$264,360. Subsequent to June 30, 1996, the expiry date of the warrants was extended to January 31, 1997.

In accordance with the terms of the agreements and pursuant to certain provisions of the Income Tax Act (Canada), the Corporation renounced, for income tax purposes, exploration and development expenditures incurred to the holders of the common shares in the amount of \$264,360 during the year.

- (d) During the year, the Corporation issued 1,005,049 common shares at \$0.30 per share for aggregate proceeds of \$301,516 to purchase certain petroleum and natural gas properties.

- (e) Stock options

During the year, options to purchase 550,000 common shares were issued and remain outstanding at June 30, 1996. Details of the options are as follows:

Number of Shares	Price	Expiry Date
350,000	\$ 0.15	April 11, 2000
200,000	\$ 0.15	December 22, 1996
550,000		

Subsequent to year end, the directors of the Corporation authorized the granting of options to purchase an additional 675,000 common shares at a price of \$0.30 per share. Formal issuance of the stock options is awaiting approval of the Alberta Stock Exchange.

- (f) Escrowed shares

Pursuant to escrow agreements dated April 11, 1995 and October 5, 1995, there were 7,111,427 Class A common shares held in escrow at June 30, 1996. These Class A common shares will remain in escrow and shall only be released on the written consent of the Chief of Securities Administration of the Alberta Stock Exchange. On October 23, 1996, 1,187,048 escrowed shares were cancelled (note 7[a]).

- (g) Loss per share

Net loss per share is calculated using the weighted average number of shares of 8,532,135 outstanding during the year after accounting for the cancellation of 1,187,048 effective October 5, 1995 (note 7[a]). The exercise of stock options and share purchase warrants would not be dilutive.

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

6. Income taxes

Income taxes differ from the results which would be obtained by applying the combined federal and provincial income tax rates of 44.62% to the net loss. The difference results from the following:

Expected income tax provision	\$ (161,168)
Increase (decrease) resulting from:	
Deferred tax debit not recognized	176,487
Pre-acquisition losses of Suprex Energy Corporation not recognized on acquisition	(17,715)
Other	2,396
	\$ -

7. Subsequent events

- (a) On October 23, 1996, an agreement was entered into between Secor Equipment Corporation (Secor) and the Corporation to cancel 1,187,048 Class A shares issued on the acquisition of Secor's assets. This cancellation of shares reflects a purchase price adjustment of \$415,467 that relates to obligations settled by the Corporation, subsequent to the purchase of assets, on behalf of Secor pertaining to the assets acquired. The effective date of the share cancellation is October 5, 1995, which was the closing date of the asset acquisition (notes 2[c], 5[b], 5[f] and 5[g]).

In the event that the consent of regulatory agencies having jurisdiction do not approve the cancellation of the shares, Secor agrees that it will, on demand, reimburse the Corporation for the Secor obligations settled and will hypothecate and pledge shares in the Corporation, owned by Secor, having a market value as of the date of such termination equal to 150% of the Secor obligations settled.

- (b) Subsequent to year end, the Corporation entered into an exploration agreement with a non-related company to explore for base metals in the province of New Brunswick. In consideration for \$40,000 cash and the contribution of a \$40,000 exploration grant, the Corporation will earn a 60% undivided interest in the claims previously owned by the non-related company.

The Corporation also received approval for an exploration grant of \$40,000 from the New Brunswick Minister of Mines and Energy to conduct mining exploration on specified claims in New Brunswick. To date, \$14,000 has been received and the remainder of \$26,000 will be received at various stages of the exploration process.

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

Under the terms of the agreement, the Corporation is committed to incur an additional \$40,000 in expenditures in addition to the \$40,000 grant for a total of \$80,000 of expenditures prior to July 8, 1997.

In the event of default under terms of this grant, the Corporation would be required to repay any excess by which the \$40,000 grant exceeds 50% of the total costs incurred and/or transfer all the company's ownership relating to the specified claims to the Province of New Brunswick.

- (c) Subsequent to year end, the Corporation has entered into an agreement with a private company, related by virtue of a common shareholder and director, to acquire 25% of any exploration or production rights the private company may obtain in Tanzania and Mozambique. The Corporation is receiving its interest in return for its role in helping secure the exploration and production rights. No cash or shares will be issued or paid by the Corporation. The Corporation and the private company will bear the costs of exploration and production efforts in proportion to their ownership interests.

Subsequent to June 30, 1996, the Corporation received a \$60,000 loan from this related private company. The loan is non-interest bearing and has no stated terms of repayment.

8. Operating lease commitments

The Corporation has signed a five-year operating lease for the office space it occupies. The future minimum rent payments including operating costs, under the terms of the lease are:

<u>Fiscal Year</u>	<u>Minimum Payment</u>
1997	\$ 40,566
1998	45,528
1999	45,528
2000	45,528
2001	45,528
Thereafter	18,970

9. Related party transactions

Included in general and administrative expenses is \$4,222 and included in share issuance costs is \$39,706 relating to legal services provided by a shareholder and director of the Corporation. At June 30, 1996, \$15,373 remains in accounts payable.

SUPREX ENERGY CORPORATION

(a continuation of Marnell Investments Ltd.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996

10. Change in accounting policy

Effective July 1, 1995, the Corporation changed its method of accounting for its oil and gas exploration and development expenditures from the successful efforts method to the full cost method. Management of the Corporation is of the opinion that the information required to retroactively apply this change in accounting policy is extremely difficult to obtain and not meaningful, therefore, the change has been accounted for prospectively.

**For Further Information
Contact**

Suprex Energy Corporation

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Tel: (403) 294-1454 Fax: (403) 265-0796

Corporate Information

Officers and Directors

Nello W. Marano
Calgary, Alberta
President and
Director

The Honourable
Harvie Andre
Calgary, Alberta
Vice-President,
Secretary and
Director

Richard D. Tingle,
Q.C.
Calgary, Alberta
Director

Hugh J. Davis
Calgary, Alberta
Director

Bankers

Alberta Treasury Branch

Auditors

Collins Barrow *Chartered Accountants*
Calgary, Alberta

Solicitors

Tingle & Associates
Calgary, Alberta

Share Listing

The Alberta Stock Exchange (SYP)

Registrar & Transfer Agents

R-M Trust Company
Calgary, Alberta

Suprex Energy Corporation

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